1727

Vol. XVI No. 27 July 3, 1978

Foreign Agriculture

Foreign
Agricultural
Service
U.S. DEPARTMENT
OF AGRICULTURE

2 France's Agriculture and Farm Trade

5 International Cocoa Agreement

6 Bangladesh's Vegetable Oil Needs Continue

8 Aid to Canada's Cow-Calf Producers

10 Farm Life In the PRC

12 Australia's Farm Goal: Growth Without Export Subsidies, Devaluation

Barge loading facilities at Gennevilliers, France

An Attaché's Look At French Agriculture And Farm Trade

Few nations hold such a pivotal position in world agriculture as France—the top agricultural producer in Western Europe, the No. 2 farm exporter next to the United States, and leading defender of the European Community's Common Agricultural Policy. In the following interview, Wayne Sharp, U.S. Agricultural Attaché, Paris, discusses France's farm trade—and its dual role as both a U.S. competitor and farm market.

What are you forecasting for U.S. farm exports to France this year?

For 1978 there should be a slight decline in trade to about $600-$625 million, including transshipments. Last year, this trade reached a high of about $650 million, including transshipments, but part of it was a spillover from 1976, when the worst drought in 50 years reduced French crops and necessitated unusually large imports.

The biggest increase recently has been in consumer food products ready for direct consumption—including citrus products, almonds, walnuts, and processed and convenience foods. That category has shown spectacular growth. Just to give some examples: sales in 1977 were about $150 million; in 1970, they were only $45 million. As a result, France surpassed the United Kingdom as a U.S. consumer-ready market in 1974, and West Germany in 1975; today it is second only to Japan.

How did this happen?

For one thing, the French have concentrated heavily on production of bulk commodities but have not developed sufficient infrastructure to prepare all the processed foods demanded by modern society.

In addition—with incomes squeezed by rapid inflation rates and lifestyles changing—more and more women are joining the work force. Consequently, they are shifting away from traditional cuisine to easy-to-prepare foods. The croissant, for example, has been one of the first victims of this type of progress; about 3 years ago a croissant mix was introduced on the market with great success. At one time you couldn't imagine them using such a mix.

Do you expect this consumer-ready market to continue to expand rapidly?

Yes, the French do not seem prepared to make the needed investments in processing facilities, and they are discouraging foreign investment. U.S. exporters of processed and convenience foods, in particular, would be well advised to jump into this market and capitalize on what appears to be a continuing upward trend in imports. Some of the products with the most promising prospects are frozen foods, nuts, and canned sweet corn.

Turning to bulk commodities, what about the market for U.S. soybeans? What's going to happen now that Brazil's crop is down?

Owing to the more than 2-million-ton decline in the 1978 Brazilian crop, the U.S. share of France's market will be up this year. We are forecasting an increase from 605,000 metric tons, or 28 percent of the market, in 1977 to 874,000 tons, or 38 percent of the market, in 1978.

But the trend has been toward a declining market share. Last year, U.S. shipments of soybeans and soybean meal to France were valued at about $150 million (not adjusted for transshipments), compared with $209 million in 1974. Between 1971 and 1977, our market share fell from 81 percent of direct shipments (soybean meal equivalent) to 28 percent. Again, transshipments are not included, but even if we supplied all the imports that move to France via Rotterdam and other European ports our share would be less than half.

Is Brazil the main competitor there, or is Argentina moving up?

Argentina is shipping more than in the past, but Brazil definitely is the main competitor.

Why has the U.S. share been declining?

For several reasons. One, because of the U.S. embargo on soybean imports in the summer of 1973, France started a policy of protein independence. It has been striving to reduce dependence on external sources of protein and to diversify away from the United States.

[Editor's note: The total embargo lasted only from June 27 to July 2 and then was replaced by export controls that lasted through the summer of 1973.]

While reducing dependence on the United States, France has become more dependent on Brazil. And this year they are finding that Brazil is not such a reliable supplier because—with a small increase in price—the Brazilians have put limits on their exports, whereas the United States tolerated almost unprecedented increases in prices before imposing the 1973 embargo.

And the action the United States took was to calm the market, which was overresponding to worldwide shortages, not only of soybeans but of fishmeal and other products.

How will Brazil's tendency to export products rather than soybeans affect future French imports?

While the United States has lost market share in the area of soybean meal, it

By Beverly Horsley, Associate Editor, *Foreign Agriculture*.

Clockwise from far left: Farm scene in a walnut area of France; harvesting French wheat; unloading a barge of grain into an elevator; and harvesting sugarbeets. Agriculture ranks high in France's economy, and France ranks No. 1 in European farm production and No. 2—next to the United States—in farm export trade.

continues to be the dominant supplier of soybeans. Moreover, France is increasing its domestic crushing facilities. This should help the United States in the long run in view of the Brazilian Government's increasing restrictions on exports of soybeans as such. However, soybeans probably only account for about one-fourth of the total value of France's soybean and soybean meal imports.

How is the domestic soybean crop coming along?

After the embargo in 1973, the Government greatly encouraged producers in southern France to grow soybeans. They got the acreage up but had very limited success owing to low yields and the high cost of production. The climate is just not suitable. A major problem is daylight hours—all of France lies north of a latitude about the same as that of Ottawa, Canada.

So they had great difficulty maintaining the soybean area, which reached a peak of about 4,000 hectares in 1974 but last season was only about 1,000 hectares. We see little prospect for expansion barring some kind of tremendous subsidy, which other European Community (EC) countries probably would not tolerate.

However, the country is continuing to stress protein independence, and a recent Government study has made several recommendations in this area.

One recommendation is to limit domestic use of soybean meal to current levels through 1981 and after that to reduce the proportion of soybean meal used in feeds. Concurrently, rapeseed production would be increased from the 560,000 tons of 1977 to about 700,000 by 1981 so that more rapeseed meal could be used in livestock feeds; use of urea would be increased fourfold over present levels to about 100,000 tons by 1981; and

greater use would be made of grains and so-called green proteins such as forage peas and horsebeans. That report also recommends renewed emphasis on soybeans after 1985, using varieties specially adapted to French conditions.

Is France still importing U.S. corn?

As a result of the severe 1976 drought, France did import about 1.5 million tons of corn, mostly from the United States. Then delays in harvesting of the 1977 French crop—and the fact that France had drawn down stocks from the year before—led to imports of about 733,000 tons of corn last year.

We don't expect France to be an ongoing market for feedgrains, however, because it mainly is an exporter.

Of course, some 80 percent of French grain exports—about 11 million metric tons of wheat, corn, and barley—go to other countries in the EC, so developments in France greatly affect the level of U.S. exports to the Community. French corn yields appear to have leveled off at about 4.8 metric tons per hectare, and we don't see much expansion for the future.

Moreover, continued use of corn and other livestock feedstuffs in France will reduce the amount of feedgrains France will have for export. This means a potentially better EC market for the United States, which shipped some 3 million tons of wheat and 13.8 million tons of feedgrain to the Community in 1977/78 (July-June).

We talk about France as the No. 2 agricultural exporter. Is most of this export competition still in other EC countries, or is that outside the EC also growing?

Most of the competition still is inside the EC. Last year, the Community took about 67 percent of France's agricultural exports--slightly less than the 69 percent share recorded in 1971 but above the 63 percent of 1975. One has to remember, however, that one-fourth of U.S. agricultural exports go to the EC, so France's competition is important, wherever the trade happens to flow.

French exports of agricultural products were just over $10 billion last year. But the rate of increase has slowed in the last couple of years resulting in a weakened balance-of-payments position. In 1974, France reported an agricultural export surplus of about $2 billion. But because of the poor crop of 1975 and the drought in 1976, France last year was a net agricultural importer for the first time since 1970, with an agricultural trade deficit of about $600 million.

A surplus of about $1 billion is in prospect for this year, however, and France hopes to boost that surplus to $5 billion in the near future by expanding exports to third country markets.

Do they have market development programs similar to ours in importing countries?

Yes. They spend far more per unit of export for market development than we do. France created a Cabinet-level council on agricultural exports about 6 months ago. And—along with other agricultural exporters such as Denmark and the Netherlands—it is pushing for an EC policy of export expansion. The United States, by comparison, just recently created a Cabinet-level council to promote exports in general.

This export promotion effort has led to internal conflicts in the EC. Some of the other member countries are not enthusiastic about paying high prices for products and then helping subsidize French exports to third countries.

I understand that France is very competitive in the Mideast.

That's correct. Their historical ties with the countries in the Mideast and North Africa give them quite an advantage. They also have bilateral and multilateral accords with various countries—the Lomé Convention, for example, which encompasses 53 African, Caribbean, and Pacific countries (ACP's).

What are some of their biggest exports to the Mideast?

Grains and poultry—the latter has become a big item and caused great concern among U.S. exporters since French broiler exports to the Mideast benefit from an EC subsidy of almost 30 cents per kilogram. In 1977, for instance, France shipped some $53 million worth of subsidized poultry to the Mideast.

Another country with which they want to expand trade is Japan. France—as well as the United States—hopes the multilateral trade negotiations (MTN's) now underway in Geneva will lead to reductions in Japanese barriers to agricultural imports. The EC, with prodding by the French, has tried several times on a bilateral basis to get the Japanese to reduce their trade barriers, but it hasn't achieved even the limited success that the United States had as a result of its negotiations with the Japanese. Currently, Japan imports about $65 million worth of French agricultural products, mainly wines and spirits.

Does France have a big trade deficit with Japan?

Yes. France has a total deficit with Japan of nearly $1 billion, and the Community as a whole has a deficit on the order of about $5-$6 billion.

What has France's role been in the MTN's and the International Wheat Agreement negotiations?

France is a key factor in both because it has been more or less the architect of the Common Agricultural Policy. About two-thirds of French exports go to other EC members, so the country's stand basically is defensive—trying to protect the market it has within the Community.

France also is a net agricultural exporter, whereas the Community as a whole is a net importer. Thus, France is afraid that the EC will try to use agriculture as a tradeoff for industrial gains in other markets.

Politically, France is committed to a successful trade negotiation. But what the French want is a rather small package that would allow them to retain markets they now have.

With regard to the grain negotiations, France is philosophically committed to commodity agreements. But when the United States indicated a willingness to talk about commodity agreements, the French had second thoughts. Essentially, when they say they want a commodity agreement, they want the kind of wheat agreement we had before with fixed maximum and minimum prices.

The kind of agreement we're talking about now—without fixed prices but with a national system of internationally coordinated wheat stocks—is not what they basically like.

Also, the CAP was devel-

Continued on page 15

International Cocoa Pact May Undergo Renegotiation

Producing and consuming countries of the International Cocoa Organization (ICCO) met as an Ad Hoc Committee in London, June 12-16, to accept proposals for revision of the International Cocoa Agreement of 1975. The sessions were arranged by the ICCO's Executive Committee when its March meeting ended without a decision being reached on possible renegotiation of the pact.

The Ad Hoc Committee is to report its findings to the International Cocoa Council that meets July 24-28.

Any formal decision to renegotiate must come from the Council itself. The current agreement expires September 30, 1979, unless the ICCO elects to extend it for another 2 years.

Proponents of renegotiation—which include most of the producing countries and some of the consuming countries—generally believe fundamental changes have occurred in the market since 1975 that justify altering the agreement. Brazil and the Ivory Coast have become increasingly important as producing nations, while output from Ghana—the world's upward leading producer—has dropped. In the United States, the rise in the use of cocoa substitutes has become a significant competitive factor.

Those who oppose renegotiation argue it is premature to abandon the current agreement—which relies on a system of export quotas and a buffer stock to defend prices—since the pact has never really been tested.

So far, about $170 million has been collected for the buffer stock fund, which was to be used to buy cocoa when the price fell to the agreement's present 65-cents per pound floor price. In theory, buffer stock sales were to be used to dampen world market prices when they reached the 81-cent per pound ceiling. The agreement has been ineffective because there were no buffer stocks of cocoa to sell and the price remains well above the 81-cent level.

At the Ad Hoc Committee meeting, two proposals for renegotiation were considered. One was from the United States, which specifically had been asked to attend the meeting as an observer and to submit a paper. The United States participated actively in the negotiations for the 1975 agreement, but declined to sign the pact because this country believed the price defense mechanisms contained in the agreement were too rigid and inflexible to be effective.

The U.S. proposal calls for replacement of the current mixed system with one based on buffer stocks alone. An effort would be made to stabilize prices within a 50-percent price band, 25 percent on either side of the midpoint price. That price level has yet to be determined.

As world prices move away from the midpoint, purchases or sales would be optional, then become mandatory up to the 250,000-metric-ton maximum contemplated for the buffer stock.

Accumulations or disposals—which would be through normal commercial channels—would be limited to a specified portion of the total for each year without special authorization from the Council.

The only other proposal considered during the June meeting was submitted by the producers. Their decision to submit a proposal was reached during a May 29-June 2 meeting of the Cocoa Producers Alliance in Yamoussokro in central Ivory Coast. All of the major cocoa suppliers are members of this organization. The Alliance no longer considers the terms of the 1975 agreement satisfactory, largely because they believe the price range is too low.

Although the producers could seek a higher level through extension of the agreement, this cannot be accomplished until after September 1979. Under current terms, prices can be adjusted only once during the life of the agreement and this opportunity was used last October. Thus, producers feel more rapid upper adjustment can be achieved through renegotiation.

Producers, who have watched the price for their commodity plummet from a high of more than $2 a pound in July 1977, to $1.28 a pound in February 1978, argue that prices higher than those contained in the current agreement are needed to encourage increased production.

Although the producers are much less definitive about whether the mechanism for price stability should be quotas, buffer stocks, or a combination of both, they side with the U.S. stand that the intervention mechanism should be simple and flexible.

A formal decision to renegotiate is expected from the July Council meeting to which the United States will again be invited as an observer. If the decision is to renegotiate, a working group would then be formed to prepare the groundwork for a full renegotiating conference, which would probably be held in February of next year. □

By C. Milton Anderson, Foreign Commodity Analysis, Sugar and Tropical Products Division, Foreign Agricultural Service.

West Malaysia's Palm Oil Output Down, To Rise

During October 1977-March 1978, West Malaysian palm oil output dipped to 601,800 tons—14 percent below the same 6-month period a year ago and 2 percent below the comparable period in 1975/76.

Combined exports of crude and processed palm oil for the 6 months ending March 31, 1978, totaled 666,300 tons, up 11 percent from the 1976/77 period and 13 percent above the same months in 1975/76.

The production shortfall resulted from the lagged effect of below normal rainfall. However, the rainfall situation has improved in recent months. This improvement together with an estimated 15 percent gain in harvested area is expected to result in a sharp increase in production in the months ahead. Consequently, West Malaysia's palm oil production and exports for the year ending Sept. 30, 1978, are expected to be significantly above the 1976/77 volumes □

Bangladesh's Vegetable Oil Needs Being Met By Concessional Sales

By Abdullah A. Saleh

Although Bangladesh's growing population is putting extraordinary pressure on the country's oilseed and vegetable oil producers, the lack of Government production incentives and the crushing industry's outdated technology provide little help in raising domestic outturn of seeds and oils. As a consequence, Bangladesh will remain a vegetable oil importer for some time to come. Most of this oil will be provided under concessional terms, and the United States will be a major supplier.

Faced by a steadily growing population, an oilseed crushing industry with aging machinery, and lack of Government incentives, Bangladesh will continue to import large amounts of vegetable oils—much of it under concessional arrangements provided by the United States and other donors.

There appears to be no plan or commitment by the Government to expand oilseed production or replace outdated crushing and refining facilities. The equipment in most of these operations is based on technology that has been out of favor for some time.

Furthermore, oilseed crop yields are stagnant and total annual oilseed production has stabilized at a level insufficient to meet the country's needs. Tradesmen speculate that unless high-yielding varieties, up-to-date processing machinery and techniques, and a new marketing system are introduced, the country will continue to be in a deficit vegetable oil position.

Largely dependent on the vagaries of weather, production of oilseeds in Bangladesh is an up-and-down affair. Available only for the major oilseeds—rapeseed/mustardseed, sesameseed, and peanuts—1978 indications make it appear that production of all three categories will be higher than in 1977. But over the long run, while rapeseed/mustardseed outturn climbed from 106,200 tons to 130,000 tons between 1973 and 1978, and that of sesameseed is up from 25,500 tons to 28,700 tons, output of peanuts has fallen from 30,900 tons to 23,400 tons.

Total production of oilseeds has generally been rising, from 226,300 tons in 1973 to 235,000 tons in 1977. The total for all oilseeds in 1978 will not be known until production is ascertained for flaxseed, coconuts, castorbeans, and other minor oilseed crops. Total outturn of major oilseeds (rapeseed/mustardseed, sesameseed, and peanuts) may stand at about 182,100 tons.

Small quantities of nigerseed and safflowerseed are included in the minor oilseeds category, and negligible quantities of castorseed and flaxseed are grown for industrial use. Coconut oil is extracted for cosmetic use.

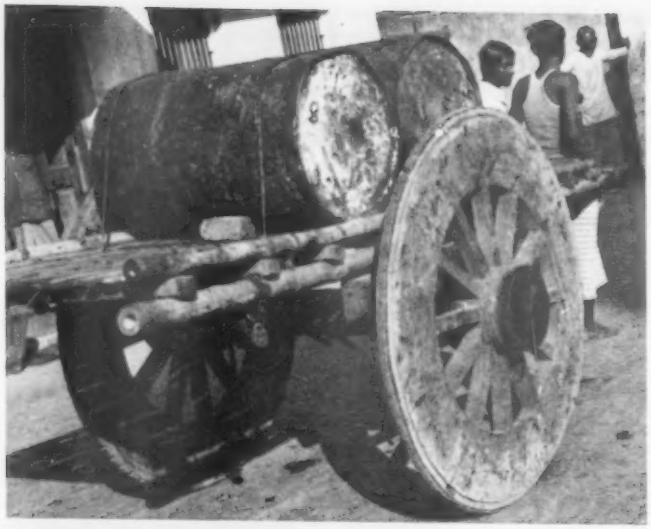
Peanuts are mostly consumed as edible, roasted nuts, although about 9,000 tons are crushed on farms along with sufficient mustardseed to provide an oil equivalent of about 3,000 tons annually.

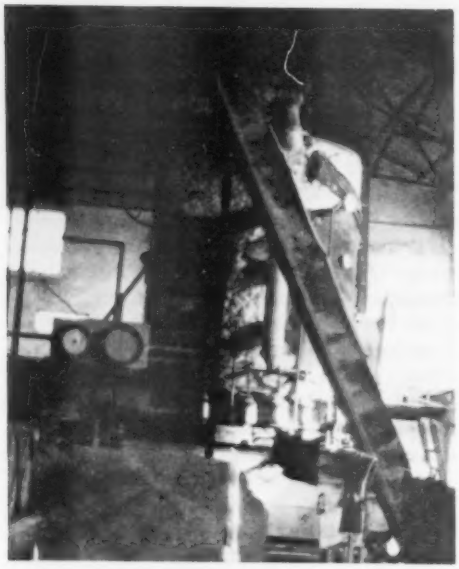
In 1977/78, Bangladesh will require, as a minimum, an estimated 124,000 metric tons of vegetable oils, an amount sufficient to provide the 82 million Bengalees—the population projected for 1978—with a per capita consumption of 1.5 kilograms.

Of the total, Bangladesh can produce only about 40,000 tons, the balance—about 80,000 tons—must be imported.

Prior to 1971, the year of Bangladesh independence, all of the country's vegetable oil trade was handled by the private sector. Most seed crushing and vanaspati (vegetable shortening) mills were then nationalized, although roughly two-thirds of total vegetable oil needs are still channeled through the free market. The balance is distributed

Dr. Saleh is an agricultural economist in the Foreign Commodity Analysis Oilseeds and Products Division, FAS. The facts and data in this article reflect the situation as of early May.





Clockwise from top right: Draymen loading refined vegetable oil on a man-drawn cart at an oilseed refinery near Dacca; weighing drums of vegetable oil in the mill's courtyard; fish, a major food in Bangladesh, is usually fried in vegetable oil; Oldrich Fejfar, U.S. Agricultural Attaché to Bangladesh, examines vegetable oil at a village retail market; outmoded oil refining equipment at factory near Dacca is characteristic of most of the machinery found throughout the country; refined vegetable oil in drums being manhandled to market.

through Government-operated ration shops.

The public sector's crushing capacity amounts to 80,000 tons of seed annually.

Initially the sector had 13 crushing plants but six were turned over to the private sector. Four plants are located in Dacca and nine in Chittagong.

These plants mostly crush rapeseed, but also crush mustardseed when necessary to improve the plant's profit position or to utilize idle capacity.

The country has only two crushing plants equipped with solvent extraction facilities. One is located in Chittagong, has a 50-ton-per-day capacity, and is attached to a refinery. Previously, this plant was owned by a private concern, but it now is controlled by the public sector (Government).

The other, known as the Dosa crushing plant, has no refinery, and has been out of operation since 1972.

Although most crushing plants in Bangladesh could be adapted to process peanuts, only one plant was established expressly for this purpose. Located at Kuliarcher, 50 miles north of Dacca, the plant—built in 1966—now stands in a peanut-deficit area.

Cropping patterns have changed since the plant was built, and it cannot get enough peanuts from other production areas to crush for oil at a price low enough to compete with imported vegetable oils which are sold through the ration shops. The use of peanut oil in vanaspati also is limited because of the favorable soybean oil price and the limited facilities available to process and refine vegetable oils.

The only vegetable oil refined in Bangladesh is soybean oil. The public sector's annual refining capacity amounts to 30,000 tons, compared with 22,500 tons for the private sector. Oil storage capacity in 1977/78 is estimated at 33,000 tons but is expected to increase to the 41,000–43,000-ton range in the next year.

The Sugar and Food Industries Corporation (a Government firm) controls five refining factories, which mostly process crude soybean oil provided by the United States under P.L. 480. (About 50 percent of the P.L. 480 soybean oil provided to Bangladesh is fully refined and shipped in drums for immediate distribution and consumption.)

Consisting of refining and hydrogenation factories located in Dacca, Chittagong, and Rangpur, the corporation refines about 30,000 tons of oil a year.

In addition, the Ministry of Industries controls a refining plant (without hydrogenation facilities) located at Chittagong. The private sector controls three refineries—two in Dacca, one in Chittagong. These plants also use U.S. crude soybean oil.

The premium oil in Bangladesh is mustardseed oil, with rapeseed oil an acceptable substitute. While both oils are used in crude form, soybean oil is available at the retail level in refined form and finds some consumer acceptance because of its relatively lower price and distribution by ration shops.

Rapeseed oil recently sold on the free market for $1.10 per kilogram, 22 cents more than the ration shop price. The free market price for soybean oil was 94 cents, compared with 88 cents at the ration shops, and butter oil, $1.16 compared with 88 cents. Mustardseed oil was sold only on the free market for $1.47 per pound. □

Federal, Provincial Programs Aid Canada's Cow-Calf Producers

By George C. Myles

Following 4 lean years, Canada's cow-calf producers now have reason to be optimistic over the prospect for improved returns in 1978.

In recent weeks, good feeder steer calves have sold for about $65[1] per hundredweight—about $25 higher than the year-earlier price.

The period 1974/77 is viewed by Canadian cow-calf producers as one of extreme financial hardship. While inflation in Canada during that period averaged more than 9 percent per year, cow-calf producer income plummeted in response to falling feeder cattle prices. At the same time, production costs mounted.

Although factors within the Canadian beef industry contributed to 4 successive years of depressed levels of return for cow-calf operators, it was the coincidence of these factors with the inflationary period and the expansion of world beef production that seriously amplified the effect on Canada's cattlemen.

The Canadian Cattlemen's Association—an organization of beef producers—has estimated beef producers' losses in equity between 1975 and 1977 at about $400 million.

An expansion phase of the Canadian cattle herd that began in 1969 peaked in mid-1975 at a record 15.3 million head. Of these, 4.4 million were beef cows, an increase of more than 46 percent from the 3.0 million beef cows on farms in 1969.

This buildup in cattle numbers set the stage for the larger beef production and consequent lower prices that followed. Also, beginning in 1973, imports of live cattle for slaughter from the United States and dressed beef and veal—particularly from Oceania—increased.

Canadian cattlemen were abruptly made aware that beef production expansion during this period was not confined to Canada.

The Canadian Government responded with a global import quota—effective August 12, 1974, to August 11, 1975—of 82,835 head of live beef cattle for slaughter and 125.8 million pounds of fresh and frozen beef and veal.

The quotas, equivalent to the previous 5-year average, were established under the authority of Canada's Export and Import Permits Act.

Nevertheless, by late 1974, unprofitable condi-

[1] **Unless otherwise indicated all dollars are Canadian. Exchange rate as of May 24, 1978: Can$1.00=US$0.897.**

The author is an agricultural specialist in the Office of the U.S. Agricultural Attaché, Ottawa.

tions for slaughter cattle—largely reflecting sharply higher feed costs and an increased supply of feeder cattle from the expansion of the beef breeding herd—resulted in substantial declines in prices for feeder cattle and calves that did not recover for 3 years.

In 1975, cattle marketings for slaughter rose nearly 18 percent over the year-earlier total, marking the end of the beef-breeding herd expansion and the beginning of a herd-liquidation cycle lasting into 1978.

When the import quotas expired in August 1975, import controls on live cattle were lifted, but dressed beef and veal imports continued to be restricted until the end of 1975 to enable future import quotas to be administered on a calendar-year basis.

Canadian cattlemen were critical when the Federal Government failed to have a 1976 import quota in place by January 1, 1976.

And before the Canadian Government responded by limiting beef and veal imports during October 17-December 31, 1976, to 17.5 million pounds, Canada had imported a record level of this meat.

Total imports in 1976 reached 315.6 million pounds (carcass-weight equivalent), approaching 12 percent of domestic consumption.

Significant increases in heifer and cow slaughter occurred during 1975-77 as cow-calf producers trimmed their herds.

Feeder cattle and calf prices fell more as this increase in beef output from female slaughter further depressed the cattle market.

During 1977, slightly more than 23.3 million Canadians consumed an estimated 112 pounds of beef and veal per person. Canada thus ranked sixth in world per capita consumption of this meat.

Canada's domestic beef industry was the source for more than 90 percent of this consumption.

For 1977 and 1978, the Canadian Government has continued to limit imports of fresh and frozen beef and veal. The 1978 level has been set at 146.92 million pounds, 1.5 percent higher than 1977's 144.75 million pounds. The 1978 quota has allocated 61.56 million pounds to New Zealand, 60.24 million pounds to Australia, and 25.12 million pounds to the United States.

Several Government assistance programs had also been put into effect during 1974-76, when cattlemen's incomes were eroding. These included the Beef Quality Premium Program, various support-price beef stabilization programs, a slaughter beef-cow stabilization program, and a ground-beef promotion program. Additionally, the Government on July 7, 1976, reached price agreements with Australia and New Zealand related to shipments of beef and veal into Canada.

These Federal programs have thus far cost more than $130 million. The provincial governments also instituted programs to aid cattle producers.

The Governments of Alberta, Saskatchewan, and Manitoba were the first to provide assistance programs aimed specifically at the cattle industry's cow-calf sector.

Ontario, Quebec, and British Columbia then developed programs, followed by the Federal Government's cow-calf stabilization program in January 1977. The Federal plan was structured to apply to all cow-calf producers, whether or not they were registered in provincial programs.

While the provincial plans for assisting cow-calf operators vary in operating detail and extent of coverage they are basically of two types: A cash advance program, and a support price with deficiency payment program.

Cash advance programs, whereby the province lends producers a fixed amount on a per cow or per calf basis with no or low interest charges and preferential repayment conditions, have been in effect since 1974 in Alberta, Manitoba, and Saskatchewan.

Provincial support price programs are offered to producers in British Columbia, Manitoba, Ontario, and Quebec, with Manitoba being the only Province offering both a cash advance and support price program. Support prices, which vary from province to province, are the province's estimate of a fair return to producers or are based on cost of production.

When average market prices for calves during a predetermined period—ranging from the whole year to several months—are below the support price, deficiency payments are generally made to producers to cover the differences.

To help defray some of the cost of the provincial support price programs, several provinces require participants to pay an annual per cow premium to be eligible for payments.

In addition to either of these two types of programs, Saskatchewan offered a one-time, $50 per cow grant to producers who had less than $8,000 income in 1975, and Quebec offers a subsidy for overwintering of feeder cattle.

Like several of the provincial plans, the Federal plan is a support price type of program. In February 1978, the Federal Government announced there would be a payout under the 1977 national cow-calf stabilization program.

Cow-calf producers enrolled only in the national plan received $10.27 per cow in their eligible herds. Producers enrolled in provincial stabilization programs received $5.14 per cow under the Federal program, with provincial governments making up the difference to bring payments up to the respective provincial maximums or to the federal level, whichever is greater. The Federal Government paid out a total $23.8 million under the 1977 national cow-calf stabilization program.

Canada's total cattle inventory on January 1, 1978, was 6 percent below the year-earlier level and more than 10 percent below the peak level of 1975. Reduced inventories of beef cows and heifers accounted for most of the decline.

Little or no decline in breeding herd numbers is expected in 1978 as the rebuilding phase gets under way. As a consequence, the resulting increase in the number of heifers retained for breeding and a decline in cow slaughter of 10-15 percent should lower 1978 beef output from the 1977 level, when female slaughter contributed significantly to total cattle slaughter.

Although female marketings are expected to decline in 1978, it will be mid-1979 or later before the cow herd can register significant growth.

Also, the lower cow inventory points to a reduced 1978 calf crop, which will not only limit expansion of the breeding herd in 1978 and 1979 but also can be expected to limit fed cattle supplies into 1980. □

Down on the Commune—Farm Life in the PRC

By Phillip Steffen

Communes in the People's Republic of China (PRC) may be viewed as self-contained geographic regions — encompassing numerous small villages and towns—with both political-administrative and agricultural functions.

With communes often covering thousands of hectares and boasting populations of 50,000 or more, there obviously is much more to them than collective agricultural production alone. A host of other activities are also involved, and this mix of activities, including private plots, determines a peasant's household income.

The normal workday of a Chinese commune begins with collective labor. At the Tali People's Commune, this work period extends from 7:00 to 10:30 a.m. and again from 1:00 to 4:30 p.m. Collective labor can include any number of planting-to-harvesting operations, digging of irrigation and drainage canals, and other general field improvements.

These collective work hours are increased during peak demands for labor.

Administratively, all communes are broken down into production brigades, and these, into production teams averaging 30-40 households, though sometimes larger. Current Chinese policy authorizes the production team as the basic accounting unit to: make day-to-day agricultural management decisions and distribute agricultural income.

Net income derived from collective production is allocated according to the value of an individual's workpoints. Peer evaluation calculates the number of workpoints based on such factors as skill or technical level of work performed, output of the worker in absolute terms, and "correctness" of political attitude toward collective labor and regard for commune property. In the extreme, he who does not work does not eat, but as everybody is expected to work, this is no problem.

Taxes are calculated as a percentage of the production quota only. When production exceeds targets, workers are still assured that the State will purchase their surplus at the original price. Production above the quota is not taxed; i.e., there is no marginal production income tax. To the extent that each team can expect to capture an enlarged marginal income, this represents a natural incentive to "grasp revolution and increase production" beyond the targeted output.

Nonagricultural workers on the commune—employed in flour and feed mills, machinery manufacture and repair shops, cement or fertilizer plants, and the like—get paid according to nationwide categories of job and wage classifications (technical, administrative, and worker). Under the general wage increase announced in October 1977, these workers also received wage increases.

Commune land devoted to private plots is usually set aside in one area; size of the plots and percentages of privately cultivated land vary by commune. At Shan Chiao Commune, 5 percent of the cultivated land is privately farmed, whereas 2 percent of the cultivated land of the West Lake tea brigade is given to private plots.

Raising vegetables to supplement home food consumption is the chief use of private plots; reportedly it is unusual to sell homegrown vegetables.

Instead, some suburban communes concentrate communal efforts on vegetable production.

It is assumed that the privately raised vegetables that do find their way to local, unregulated markets are sold at prices slightly above official prices. The scarcity of produce caused by last year's particularly severe winter in the Hangchow area led certain private producers to charge much more than State prices. Yet, the potential threat of public self-criticism against "profiteering" is often used to minimize such practices.

China has a very large livestock population, probably the world's largest for hogs and chickens.

Chinese cattle are mainly used for draft purposes, and nowhere was there evidence that cattle are privately owned for meat or dairy-product consumption. Some amount of animal husbandry fits into regular commune operations, while other livestock activity can be considered a sideline.

For instance, the tea brigade at West Lake engages in sheep raising and limited dairy herding.

Private poultry production is another sideline occupation. Fish and chickens, while not rationed, are generally in short supply and available only certain mornings on a first-come, first-served basis. Egg rationing began 2 years ago in China. Families with fewer than five members qualify for 1 kilogram of eggs each month; families with more than five are allocated another half kilogram.

Chickens, geese, and ducks are easily managed on the commune level. Tali raised 30,000 fowl in 1977. Shan Chiao sold 50,000 ducks in the same year. It is uncertain in the latter case whether all these ducks, fed naturally for 60 days and then force-fattened for 15 days to reach 2.5-3 kilograms, are sold by the commune. If so, the income from these ducks amounted to 275,000-330,000 yuan [1] based on a State procurement price of 2.20 yuan per kilogram.

Pigs traditionally have been highly prized in China, and some communes—such as Shan Chiao—raise pigs on the brigade or team level. At other communes where attention is focused entirely on grain or industrial crops, pigs are raised by individual households.

Curiously enough, pigs serve as a political bellwether of official Party policy regarding private consumption and sources of private income. Pig policy has fluctuated widely over

The author is a technical assistance specialist with the International Development Staff of the Assistant Secretary for International Affairs and Commodity Programs, USDA.

[1] **One yuan equals about 60 U.S. cents.**

the years, and its erratic course has no doubt confused many a commune peasant. At various periods, the stress has been placed on collective production only. Some pig promotion slogans exhort Chinese to raise one pig for every person. Other slogans call for one pig per mou—an even higher rate. (China already produces more than one pig per household.)

Commune households visited were more than meeting the production challenge. At Tali Commune, for instance, 68,000 people reportedly produced 88,000 pigs in 1977.

Pork has always figured predominantly in Chinese cuisine, and China maintains a strong comparative advantage in the export of pig bristles and hides. Still, manure production appears to be the most valued benefit. One clue is the late Chairman Mao's observation that, "A pig is a fertilizer factory on four legs."

None of the four communes visited claimed to be totally self-sufficient in chemical fertilizer production. For example, a given commune might be self-sufficient in sulphate, while having to "import" its nitrogen requirements.

Without exception, commune officials were of the mind that heavy use of organic fertilizer makes up for any deficiencies in chemical fertilizer application. This would be more typical of suburban communes, however.

At Shan Chiao, a phosphate factory produces 2,000-3,000 metric tons a year, which reportedly fulfill the Commune's phosphate needs, and purchases nitrates and potassium from the State.

The money income of production team households at a Tali household amounted to 2,700 yuan, including 2,100 yuan from collective production (determined by workpoints), 300 yuan from the sale and production of fireworks for Chinese New Year celebrations, and 300 yuan from chicken and pig production. This family also grew vegetables on its private plot to meet its own needs. Based on these figures (excluding the market value of the vegetables consumed at home), 22.2 percent of the family income came from private activities.

Just what do these figures mean for the purchasing power of China's agricultural workers?

There is some difficulty in determining the extent of direct and indirect State subsidy of some of the expenses. The Shan Chiao Commune, for instance, is provided 80-90 agriculturalists from the Government in the area of crop research and development; a newly established (1975) agricultural "university" on the commune has several scientists as professors.

Obviously, these inputs increase farm incomes, although the Chinese might call this a two-way process: Agricultural students who visit Xi Qiao also "learn from the experienced peasants and agricultural technicians."

The ration book exerts a powerful control against would-be consumption, as not all items can be simply purchased if desired. Consumer durables—such as watches, radios, bicycles, televisions—are rationed.

Private plots are clearly instrumental in supplying family vegetable needs, but rice is limited to 20 kilograms per person monthly. Cost of rice in the rural areas remains fairly constant—around 4 yuan for 20 kilograms, or 288 yuan annually for a family of six. (These figures are below those from most other Chinese sources, however.) By comparison, urban rice prices in Shanghai for a similar size family would be 465 yuan per year.

Meat (beef, mutton, and pork) is rationed at 0.5 kilograms per capita monthly, although chicken and fish are not rationed except by limits in supply; eggs are rationed. Silk and woolen cloth is not rationed, but cotton cloth is—roughly 6 meters per year.

By economic definition, income not spent is income saved. Each commune has savings institutions for its members. The production-team-operated savings bank at Shan Chiao pays 2.7 percent annual interest.

In summary, the Government appears to have built up a reservoir of good will among the farmers for having looked after their interests. Peasant farmers today are idolized throughout the People's Republic, and are well cared for materially.

This improvement in basic lifestyles is particularly appreciated by those who happened to be around before Liberation. It is no small accomplishment, after all, that 7 percent of the world's arable land is now feeding 22 percent of the world's population.

Yet, in the drive to improve agriculture, central planners will have to take note of the changing socio-economic composition of the countryside. Ironically, it is this very improvement in productivity, incomes, and welfare among the peasants that will cause them to clamor for more. □

A Look at Four Chinese Communes

The author was part of a student-faculty group of 25 from Johns Hopkins University that visited four communes during January 1978, including:

- Tali People's Commune, a suburban commune outside of Kangchow (Canton), in Nanhai County, Kwantung Province. Its 19 production brigades—211 production teams—raise two crops of rice and one winter wheat crop.
- Xi Qiao People's Commune, also in Kwangtung Province. Qiao has 10 production brigades, 250 production teams, and is considerably larger than Tali, both in terms of population—80,000 people, compared with 68,000 at Tali—and cultivated area—440,000 mou,[1] against 57,000. Rice again is the principal grain produced. Compared to the other communes, Xi Qiao would be classified a "rich commune."
- West Lake People's Commune, some 10 kilometers outside of Hangchow in Chekiang Province. This visit took the team to one of the production brigades (Mei Chia Wu Brigade), whose 1,255 people are engaged in producing dragonwell tea on 75 hectares and growing trees on 600 hectares.
- Shan Chiao People's Commune, 25 kilometers outside of Peking. This is a smaller commune whose economic activities go beyond solely grain production to include fruits and vegetables, three dairy farms, three hog farms, and one Peking duck farm. It has six production brigades of 62 production teams and 40,000 people.

(Typically, suburban communes are more affluent than rural communes, with higher levels of fertilizer application and other inputs and higher household incomes.)

[1] 15 mou equals about one hectare.

Australia's Farm Goal: Growth Without Export Subsidies, Devaluation

By Miles J. Lambert

Despite drought-related shortfalls in farm production and export earnings for 1977/78,[1] and most probably in 1978/79 as well, Australia already has geared its agricultural—and overall economic policy—for a long-term future of greater efficiencies and, it hopes, larger profits. In trying to accomplish this, the Government is steadfastly refusing to resort to major devaluation of the Australian dollar or to subsidization of farm exports.

Current farm setbacks are viewed as mainly temporary. The Government retains unshaken faith in Australian agriculture, which provides the nation with nearly half of its total trade earnings. Due to the drought(see *Foreign Agriculture,* April 24, 1978), the value of Australian farm output in 1977/78 has been scaled downward more than a billion dollars to US$7.4 billion.

In 1976/77, Australia's agricultural exports totaled US$6.2 billion. For the first 8 months of the current July-June year, farm exports amounted to US$3.95 billion, some 5 percent less than for the corresponding months a year earlier.

A reduction in Australia's agricultural trade surplus has accompanied the fall-off in export earnings and is not only attributable to the lower volume of exports this year.

Export prices for some products have been depressed in relation to the levels of recent years. Moreover, the drawdown in the farm trade surplus is also linked to increased imports of vegetable oils, fruits, and vegetables, which were needed to forestall inflationary pressures at home.

However, in streamlining its farm programs and policies toward the long term, the Government is no longer seeking solutions to efficiency problems in agriculture through export expansion by any means. Instead, in a move to diversify the economy, the Government is promoting domestic and foreign investments in nonfarm industries and is trying to avoid measures that would erode confidence in either the country's economic recovery or in the underlying strength that the Australian dollar developed in the past year.

The Government also is espousing an across-the-board advance in agricultural assistance. This includes developing new overseas markets and removing nontariff barriers in others, providing relief funds to farmers hurt by the drought, instituting new market schemes for dairy products, revising income-tax laws to permit income averaging by farmers, and proposing the creation of a Rural Bank to initiate long-term loans to farmers.

While bringing many benefits to the farming industry and its infrastructure, long-range adjustments in the agricultural sector may prove burdensome to many farmers over the short term—and will be the death blow to some.

Although the situation of many farmers is only marginally worse than it would have been without the drought, some will leave the industry sooner than events might have forced them to do otherwise. Undoubtedly, pessimism about the Government's willingness to help any and all farmers plays a role in such decisions.

The Government sees a reduction in the number of farms as a step toward greater efficiency and more profitability in Australian agriculture in the future.

The financial caldron in which many farmers find themselves has been brewing for several years. For the fourth consecutive season, the cost/price ratio is expected to move against farmers. During 1977/78, the index of prices paid is expected to jump by 10.3 percent while the index of prices received is likely to gain by only about 1 percent. Major increases in farm costs have been for equipment and supplies as well as for wages and marketing expenses. Increases in efficiency and productivity are not expected to be strong enough in the immediate future to significantly dampen escalating costs.

With a population of about 14 million, there is little room for farmers to increase earnings on the domestic market. Domestic wholesale prices of basic commodities could be raised through Government policies, but this would be of limited usefulness because of the size of the domestic market in relation to total production. Such measures would also increase inflationary pressures.

The large drop in world sugar prices recently and an inability to maintain high contractual prices under bilateral agreements with Japan and Malaysia did lead to Government approval in June 1977 of an 8.4 percent hike in the domestic price of sugar in order to raise the average price received by the sugar industry.

Similarly, a 5 percent increase in the domestic wholesale price of wheat was announced in December 1977, but this was a rather minimal effort to help cover increased production costs.

Economic Slowdown

Generally, the Government sees stronger economic growth at home as providing the most secure domestic benefits to farmers—through increased employment and demand. The Australian economy has been suffering from a severe slowdown since late 1973/74. This period has been characterized by high inflation, record unemployment, and lower productivity and investment levels, while the rate of growth in real terms has declined markedly in almost all sectors.

Forecasts vary, but there is cautious optimism that

The author is an agricultural economist with Foreign Demand and Competition Division; Economics, Statistics, and Cooperatives Service.

[1] **Split years in all instances refer to the July-June year.**

the Australian economy will grow during 1978—but only by about 3 percent. The inflation rate is expected to fall substantially from around 11-12 percent to about 8 percent. The Government vows no relaxation in its anti-inflation policy this year and it hopes interest rates can be reduced later in order to stimulate the economy.

Unemployment is expected to move above the current level of about 6.5 percent before starting to decline later this year. Nonetheless, a high level of unemployment is expected to remain a national problem for some time to come.

Although a greater source of optimism than domestic demand, expanding agricultural exports is not an easy task, either. The Australian Government is very active in the current Multilateral Trade Negotiations (MTN), but, as most participants, is caught between desire to expand overseas markets and to protect domestic producers.

This need for give-and-take on trade barriers has arisen quite often in trade relations between the United States and Australia.

The Government has been giving greater power to the Temporary Assistance Authority (TAA) to grant aid to domestic industries through import protection. Although protectionist measures in Australia have been largely for nonagricultural sectors, there is evidence of some import protection for agriculturally related industries. This is important to the United States, whose sizable farm market in Australia could be larger if certain trade barriers were reduced.

Of immediate concern is the recent Australian decision to increase duties on potato products and citrus juice and the industry's proposal to raise the duty on vegetable oils from US$78 to US$101 per metric ton.

The U.S. bargaining position on agricultural products is weakened by the fact that—while the agricultural balance of trade strongly benefits Australia—the balance of total merchandise trade greatly favors the United States, providing it with a large surplus in trade between the two countries. Thus, Australia finds its farm trade surplus a crucial factor in its overall trade with the United States.

Trade Barriers

Australia's main concerns in the U.S. market appear to be dairy quotas, the restrictive aspects of the U.S. Meat Import Law, and the high U.S. tariff on raw apparel wool. Indications are that Australia may put priority on the wool tariff. Under the voluntary restraint program on beef, Australia has held its own in the U.S. beef market and there has been a steady increase in its annual allocation.

Protection against selected imports is fostered by the Australian Government, largely because of its benefit for certain nonfarm industries. The Government is no longer prepared to initiate measures of unknown benefit to agriculture, and of likely detriment to the economy as a whole.

This is at the core of the refusal to either devalue the Australian dollar or to subsidize agricultural exports, and represents a basic change in Government policymaking.

The Government perceives a diminished role for the farming sector in relation to the entire economy and is actively promoting domestic and foreign investment in other sectors, especially in mining. Mining's share of exports rose from 20 percent in 1972/73 to 29 percent in 1976/77, while agriculture's share dropped from 54 to 46 percent.

Firming up the value of the Australian dollar is a major goal. The Government appears to have had some success in reducing inflation recently, so the external pressure to devalue has been reduced.

Export subsidy and devaluation are possible economic remedies frequently debated. Subsidization is risky for a Government that advocates trade liberalization and is currently involved in the MTN in Geneva. Also, some farmers seem increasingly skeptical of the benefits to themselves from export subsidies.

Some farm organizations are even beginning to see wisdom in Government policy on this issue by anticipating that widespread subsidies would expose Australian farm products to trade retaliation. They also feel subsidies would prolong the existence of inefficient producers and needlessly delay the widespread use of various marketing tools, such as animal carcass classification, which would enable the farm sector to better supply lucrative foreign markets that sometimes demand products with very exact specifications.

Australia is equally unlikely to resort to devaluation measures in order to counter the downward trend in agricultural export earnings in 1977/78. A look at the situation in several major commodities makes clear that devaluation would not affect all commodities equally and perhaps would benefit none in particular this year.

Moreover, the position of the Government on applying devaluation to agricultural commodities undoubtedly is influenced by world demand for each commodity, total domestic farm earnings, and the balance of trade. In the past, the Government has applied devaluation somewhat selectively to agricultural commodities.

For instance, relatively good world demand around the time of the November 1976 devaluation persuaded the Government to exclude wheat from the effects of devaluation. Instead, a rise in the Australian dollar quotation for wheat occurred. In any case, the upper limit on wheat export volumes has been a result mainly of either availability or shipping capacity and work stoppages. (See *Foreign Agriculture*, May 16, 1978.)

Wool Sales Hindered

Expansion of wool sales in recent years has been hindered by the slow growth in the economies of Australia's trading partners and a consequent hesitancy in their textile industries to hold inventories of raw materials.

Tariffs and variable levies in the European Community (EC), and quotas in Japan are far more serious obstacles to Australian meat exports to those markets than is price. A devaluation might encourage sales to the Soviet Union and Eastern Europe, which recently have become notable importers of Australian beef and veal. (These markets took about 20 percent of all Australian farm exports in 1976/77, compared with just 5 percent in 1975/76.)

Even this may bring only a temporary boost to sales since these countries have not yet proved to be steady customers. They may tend,

rather, to be counter-cyclical elements in Australian meat exports, buying when their own grain production is down and when world prices for meat are also down sufficiently relative to grains.

There are also domestic hindrances to exports from the livestock sector, for which a devaluation would provide no relief. Live sheep sales to the Middle East have become a prominent feature of Australian exports.

Threat by Union

However, the Australian Meat Industry Employees Union, fearing job losses, is threatening to bring a halt to these exports. In fact, exports from three Australian States already have been banned. Farmers fear that a refusal to provide the Mideast market with its present requirements for live animals may prejudice future sales of carcass meat when storage capacity has developed in those countries.

The dairy industry is one sector where devaluation might help to achieve greater sales. More realistically, however, the Government is seeking contraction in the dairy industry because of a long trend of burdensome stocks. Milk output and exports happen to be depressed this year, owing to drought and low cow numbers. (See *Foreign Agriculture*, February 27, 1978.)

On the import side, devaluation would increase the price of vegetable oils, coffee, and fruit and vegetables, which are currently the fastest rising major agricultural import categories. Furthermore, domestic fruit and vegetables might be enticed away from the home market if the Australian dollar were to be devalued.

In lieu of major export subsidies and devaluation, the Government prefers to concentrate on developing new markets overseas and on breaking down nontariff barriers. Also, commodity agreements to assure markets and to avoid large price fluctuations are still sought. Recent differences with Malaysia and Japan over price agreements in bilateral sugar contracts make multilateral arrangements appear as a less risky alternative.

However, with centrally planned economies, bilateral arrangements remain attractive and this may explain Australia's interest in a sugar export agreement (presently bogged down over price stipulations) with the People's Republic of China (PRC) and discussions with the Soviet Union on a possible beef-for-petroleum barter arrangement.

An unwillingness to devalue the currency or to subsidize farm exports does not mean that the Government is ignoring farm interests. Instead, the Government, mostly through budget layouts, is seeking to help farmers meet some of their present liquidity problems.

Recognizing the depressed situation of the rural sector, the Government provided 17.7 percent more funds in the 1977/78 budget to assist farmers. In terms of U.S. dollars, the percentage increase was about 13.5 percent.

The net direct assistance from the 1977/78 budget (after deducting amounts collected through industry levies) was estimated at US$270 million compared with US$237.8 million a year earlier. However, special relief programs, mainly for the beef industry and drought assistance, could increase Government outlays by at least another US$110 million or more in 1977/78.

The budget provides for the Commonwealth to contribute US$35.1 million to wool promotion and research in 1977/78. The Australian Wool Corporation was also authorized by new legislation to operate a Limited Offer to Purchase Scheme (LOPS) for the direct purchase of wool from growers in 1977/78.

The primary aim of LOPS is to demonstrate to the industry the cost-saving efficiencies in wool handling by replacing auction selling with purchase by sample and objective description. The program has gotten off to a slow start because of objections from the wool buyers and brokers.

A few generally applicable benefits for the rural sector exist alongside these commodity-specific supports and expenditures. On January 1, 1977, a Rural Adjustment Scheme came into operation, replacing the Rural Reconstruction Scheme, the Dairy Adjustment Program, and a joint Commonwealth / State scheme of financing production costs of farmers specializing in beef. Financial assistance is made available to States for purposes of farm debt, farm improvement and rehabilitation, and household support.

Tax Break for Farmers

The 1977/78 budget introduced a lower income-tax scale—effective February 1, 1978—which is expected to benefit farmers. One tax rate will apply to 90 percent of all taxpayers. Tax-averaging provisions were introduced to ensure that farmers' tax payments on a fluctuating income would be no greater than for any taxpayer receiving the same average income.

The effect of these provisions will be to ensure that income averaging enables farmers to put funds aside in years when unusual seasons and markets generate higher taxable income.

Other proposals for general farm financial aid were forthcoming during the campaign preceding the December 1977 parliamentary elections. Some Government initiatives have been made, but exactly how soon results will be achieved is not known. These initiatives include equalization of fuel prices for rural areas, reduction of off-peak telephone rates, and the abolition of estate duties.

Also envisioned is an Australian Rural Bank by mid-1978. Legislation for the Rural Bank has been passed. When set up, the bank will operate primarily as a refinance institution, lending funds to other financial institutions so that long-term loans are available to farmers.

It is the first financial institution of its kind set up under legislation for the sole purpose of facilitating finance to primary producers. The Government will participate in the new bank.

It also is taking a careful look at the efficiency of the various agricultural sectors. The Government views Australia as an efficient producer of most farm products (grains, oilseeds, cotton, sugar, meat, dairy, and wool), but feels that some industries—most notably dairy—may be overextended in relation to a realistic assessment of export marketing opportunities. In all farm sectors, inefficient producers are to be discouraged because of their detrimental effect on the long-range prospects for farming. □

Continued from page 4

French Agriculture

oped in the early 1960's when France was a major net importer. Now that France is a net exporter, the French see things in a different light. They're fearful that division of the market in a tightly controlled agreement would result in a loss for France since quotas or market shares in such agreements usually are based on historical trade patterns.

France is the main country that opposed the EC's joining the International Sugar Agreement. However, the Community has finally indicated a willingness to become sort of an associate member and exercise what it calls parallel discipline. While the EC won't agree to all of the terms of the Agreement, it will take measures within its own system to accomplish essentially the same results.

With regard to the Wheat Agreement, the French have ambivalent feelings. Wheat producers fear that if France enters an agreement now—and the EC agrees to accumulate stocks—France may have to bear the burden of stockpiling since it is the major exporter. The exporters—in their opinion—wind up holding stocks. The producers also are fearful that excessive stockpiling may prompt the EC to adopt set-aside programs or other means of taking land out of production.

On the other hand, French Government officials would like to see an agreement. Politically, they support it because of their commitments to developing countries; and economically and philosophically, because commodity agreements are more in accord with their way of organizing markets.

From a budgetary standpoint, they feel that an agreement to stabilize world prices also would stabilize the flow of funds into FEOGA, the Guarantee and Guidance Fund used to finance the CAP and other common policies of the Community. Agriculture gets about 75 percent of these funds.

When world wheat prices fluctuate fairly sharply, import fees that go into the Fund also fluctuate, with national treasuries making up any differences. Such outlays are highly visible items, and consumer groups, labor, and others begin to press for reduced agricultural expenditures.

What has been the strategy behind their attempt to tie a feedgrains agreement to the Wheat Agreement?

It's always difficult to determine the real reasons for some of their actions. Part of it was a feeling that if feedgrains were left in the MTN's the main issue would be access to the EC market, which is supplied in large part by France. By linking feedgrains to the International Wheat Agreement negotiations, under the auspices of the UN Conference on Trade and Development, discussions could be focused on questions of price stability rather than access.

Part of this move thus has been definitely intended to keep discussions out of the MTN's.

Another of their arguments is that—because wheat and feedgrains can be substituted to some extent in feeds—stabilizing one would result in all the fluctuations taking place in the others.

What is their position on the GATT binding of soybeans?

Dating back to the 1960/61 Dillon Round of trade negotiations under the General Agreement on Tariff and Trade (GATT), one of the most valuable concessions the United States received was zero duty binding of soybeans imported by the EC. This is a concession that the United States has strongly defended and will continue to defend in any negotiation. As far as we're concerned, it is simply not negotiable.

However, because of the U.S. export embargo in 1973—and France's high level of dependency on foreign sources for protein (about 80 percent)—the French are very concerned about fluctuations in prices of soybeans.

We argue that the main reason they have problems with soybeans is because of their pricing system, which makes the price of corn artificially high.

Just to give you some general comparisons, here in the United States we use approximately 19 times as much cereals as soybeans (all uses). In France, they use only 1.9 times as much cereal as soybeans, which means that they are much more dependent on soybeans than the United States. The reason is that soybeans move in at the world market price, but French feed manufacturers must pay almost twice as much for corn as U.S. producers do. Certainly they could lessen their dependence on soybeans by bringing corn prices more in line with world prices.

Has France's role as a farm policy leader changed over the past few years?

French farm groups have remained strong, but—just as in the United States and other industrial countries—labor, consumers, and other groups are having a greater input into the formation of farm policies. Also, since France has become a net exporter, its objectives have changed. For example, France is no longer a major booster of high-priced supports since this only encourages self-sufficiency in other EC countries and decreases France's competitiveness in third-country markets. □

Foreign Agriculture

Vol. XVI No. 27
July 3, 1978

Bob Bergland, Secretary of Agriculture.
Dale E. Hathaway, Assistant Secretary for International Affairs and Commodity Programs.
Thomas R. Hughes, Administrator, Foreign Agricultural Service.

Editorial Staff:
Kay Owsley Patterson, Editor; Beverly J. Horsley, Assoc. Editor; G. H. Baker; Marcellus P. Murphy; Aubrey C. Robinson; Lynn A. Krawczyk; Isabel A. Smith.

Advisory Board:
Richard A. Smith, Chairman; Richard M. Kennedy; J. Don Looper; Larry N. Marton; Jimmy D. Minyard; Turner L. Oyloe; Steven Washenko.

The Secretary of Agriculture has determined that publication of this periodical is necessary in the transaction of public business required by law of this Department. Use of funds for printing *Foreign Agriculture* has been approved by the Director, Office of Management and Budget, through June 30, 1979. Yearly subscription rate: $38.00 domestic, $48.00 foreign; single copies 80 cents. Order from Superintendent of Documents, Government Printing Office, Washington, D.C. 20402. Contents of this magazine may be reprinted freely. Use of commercial and trade names does not imply approval or constitute endorsement by USDA or Foreign Agricultural Service.

U.S. DEPARTMENT OF AGRICULTURE
WASHINGTON, D.C. 20250

PENALTY FOR PRIVATE USE, $300
OFFICIAL BUSINESS

POSTAGE AND FEES PAID
U.S. DEPARTMENT OF
AGRICULTURE
AGR 101

U.S.MAIL

First Class

FA SERIA300SBISSDUE019R 1
SERIALS PROCESSING
XEROX UNIV MICROFILMS
300 N ZEEB RD
ANN ARBOR MI 48106

U.S. Livestock Big in Paris

U.S. livestock was the chief attraction at the U.S. pavilion at the Paris International Agricultural Show, March 5-12. Just short of a million people visited the show and a goodly share of these went through the U.S. area. Six USDA cooperators and five U.S. firms exhibited their products or services.

Because of their appeal, U.S. Quarter Horses—exhibited for the first time at the Paris Show by the American Quarter Horse Association—probably attracted the largest crowds in the U.S. area. But U.S. Holsteins and Herefords—shown by the Holstein-Friesian Association of America and the American Hereford Association—also got a large play.

Other cooperators exhibiting were the American Soybean Association, the U.S. Feed Grains Council, and the National Association of Animal Breeders. U.S. commercial exhibitors included World-Wide Sires, Curtiss Breeding Service, American Breeders' Service, Carnation Genetics, and Holstein-Friesian Services.

Of particular interest to the U.S. exhibit participants were the approximately 100,000 non-French visitors, many from other EC countries, the Middle East, North Africa, and Eastern Europe. A sizable number of visitors from the United States also attended the fair.

The U.S. livestock on display included seven French-owned Holstein-Friesians of U.S. origin, two polled and two horned Herefords, and two Quarter Horses.

Sales during the 8-day show probably exceeded $500,000 and sales during the next 12 months resulting from U.S. participation in the exhibit are expected to reach in excess of several million dollars. □

U.S. Ambassador to France Arthur A. Hartman (left) looks on as French Prime Minister Barre shakes hands with Mrs. Hartman at the U.S. Quarter Horse exhibit.

Soviet Cotton Crop Damaged

Soviet press reports in late May and early June indicated that heavy rains, accompanied by hail and flooding in some regions, had damaged or destroyed large areas of cotton in Uzbekistan and Turkmenistan—the major cotton-producing Republics in the USSR.

Reportedly, 700,000 hectares—an area equal to more than one-third of this year's cotton area in Uzbekistan—and nearly 280,000 hectares—or an area equal to more than one-half of the cotton area in Turkmenistan—had to be replanted. These figures may include some double counting, however, since some areas were planted over two or three times.

According to the reports, reseeding had been carried out in relatively good time and cotton seedlings had already appeared in the resown areas. But, because of the later plantings extreme care would have to be taken.

Fertilizer applications were to be increased since a significant part of the fertilizer applied earlier had been washed away and stringent measures were recommended to combat not only probable increases in weeds and formation of soil crust, but also probable acceleration in cotton pests.

Weather during the remainder of the cotton-growing and harvesting seasons will largely determine the effect of these early problems on the 1978 Soviet cotton crop. However, because of the reseeding of the destroyed and damaged cotton areas—totaling perhaps as much as a million hectares—and thus some resulting delay in the crop progress, cotton in these areas could be more vulnerable to early freeze and rain this fall. □